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C O N F I D E N T I A L ASUNCION 000252

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NSC FOR JOSE CARDENAS; SOUTHCOM FOR POLAD

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SUBJECT: PARAGUAY: PRESIDENT AND VP ON DIFFERENT PAGES
REGARDING SUCCESSION

REF: ASUNCION 0208

Classified By: DCM MICHAEL J. FITZPATRICK; Reasons 1.4(b),(d)

¶11. (C) SUMMARY: President Duarte continues to obstruct Vice President Castiglioni's bid to be the Colorado Party's presidential candidate, signaling his preference for his Minister of Education, Blanca Ovelar as a woman whose ideology is closer to his (e.g. Socialist). Undeterred, Castiglioni is jockeying for support both within party circles and in the public arena. Meanwhile the opposition parties are wringing their hands trying to decide how to deal with the "monster" they created in Monsignor Fernando Lugo.
END SUMMARY.

VP Moving Ahead With or Without President's Support

¶12. (C) President Duarte continues to shoot across the bow of VP Castiglioni, signaling his intention to hinder Castiglioni's ability to become the Colorado Party's presidential candidate. According to VP advisor Juan Facetti, Duarte lashed out at the attendees of a Colorado Party Precinct meeting March 19 for evincing support and affection for the VP. Duarte apparently also criticized Castiglioni directly after the VP's visit with the business community complaining that VP was too close to the business community and needed to "change his ideology." Castiglioni reportedly told Duarte that he does not believe in government control over business and refused to change his ideology. Meanwhile, Facetti said the VP is campaigning on a grassroots level, reaching out to the precinct presidents and talking on local radio stations around the country. He said that Castiglioni will announce his candidacy after Easter.

JUST CAN'T KEEP A SECRET

¶13. (C) According to Facetti, Duarte met with Education Minister Blanca Ovelar and Colorado Party President Jose Alderete March 21 to inform them that they were his first choice to be President and Vice-President, if he does not secure the reelection amendment. Ovelar apparently was so pleased that she told friends and the information spread, making Duarte furious. Facetti believes many party leaders who support Castiglioni are consequently less inclined than ever to support Duarte's bid for reelection and more determined than ever to show support for Castiglioni. On March 23, when Castiglioni attended the memorial service of former VP Luis Maria Argana assassinated eight years ago, he was received with enthusiastic applause by the senior

Colorado Party leadership understood by many as a message to Duarte of whom they prefer serve as the Party's nominee. Taking Duarte's message about ideology to heart, Castiglioni tilted left -- at least for appearances' sake -- rejecting "neoliberalism" and embracing instead the social message of the Catholic Church (with which Castiglioni has long been associated).

THE OPPOSITION IS UNSETTLED

¶4. (C) Facetti told poloff he understands Liberal Party leader Blas Llano and Beloved Fatherland Party leader Pedro Fadul are increasingly frustrated with Monsignor Lugo's candidacy for president. Llano is concerned Lugo represents a possible threat to the Liberal Party as much of his support stems from the core of the Liberal Party's base in the countryside. Fadul and his Party feel betrayed by Lugo. The Beloved Fatherland Party did much of the leg work to organize last year's demonstration and Fadul personally selected Lugo to serve as a keynote speaker. That event served to launch Lugo's candidacy. One year later, Fadul feels Lugo is only interested in associating with the opposition parties to the extent they support his candidacy and is not interested in a runoff vote to determine the most popular candidate. Lugo's March 29 rally in Asuncion is expected to be an early bellwether of the breadth of Lugo's popular support.

COMMENT

¶5. (C) Duarte has signaled a preference for Blanca Ovelar presumably because she shares his approach on policy/ideological questions. Some have also suggested Duarte believes he can more readily control Ovelar, an important consideration for Duarte who seeks to remain a central political figure in Paraguay once he leaves the Presidency. With or without the President's backing, Castiglioni is moving ahead to consolidate support both inside the Colorado fold and at the grassroots level. Sensitive to the fact that his closeness to the business community and the U.S. may serve a liability, Castiglioni has begun to adopt rhetoric that positions him more at the center of the ideological spectrum. Meanwhile the opposition cannot decide what to do with Lugo and Lugo in turn is reflecting on whether he can make a run on his own without the backing of the opposition parties. Even as some candidates may formally announce as soon as Easter, the coming months promise many shifts in rhetoric and much jostling in allegiances as potential candidates for President weigh their options.

CASON